

Message Text

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ACTION ARA-10

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C O N F I D E N T I A L LIMA 2280

EO 11652: GDS

TAGS: EGEN, PE

SUBJECT: SPEECH BY MINISTER OF FOOD

1. ON MARCH 17 MINISTER OF FOOD, GENERAL RAFAEL HOYOS, SPOKE TO NATION IN LATEST OF SERIES OF SPEECHES ON NEW BIENNIAL PROGRAM BY GOP MINISTERS. ONE POINT OF INTEREST WAS STAT-ISTIC THAT FOOD SUBSIDIES FOR 1975-76 BIENNIUM WILL BE ON ORDER OF 11.2 BILLION SOLES, EQUAL TO APPROXIMATELY 35 PER-CENT OF PRESENT GOP BUDGETARY DEFICIT (MODERATELY HIGHER THAN FIGURE FOR 1973-74 BIENNIUM)

2. MAJOR POINT OF INTEREST WAS STATEMENT THAT GOP INTENDS TO COMPLETELY RESTRUCTURE THE NATIONAL SYSTEM OF FOOD DIS-TRIBUTION, ELIMINATING MIDDLEMAN IN FAVOR OF VIRTUALLY COMPLETE STATE CONTROL AND DIRECTION. FOOD PRODUCTS WILL, IDEALLY, PROCEED DIRECTLY FROM FARM TO CONSUMER. GOP WILL CREATE THE NECESSARY STORAGE AND WAREHOUSING FACILITIES (TO WHICH ONLY RETAILERS WILL BE ADMITTED) NEEDED TO MANAGE MARKETING OF FOOD PRODUCTS WITH INVESTMENT OF 6.2 BILLION SOLES IN BIENNIUM, UNSPECIFIED AMOUNT OF WHICH WOULD BE FINANCED FROM FOREIGN SOURCES. TO ALLEVIATE SOME OF THE COST OF NEW INFRASTRUCTURE, "MINIMARKETS" WILL BE SET UP AS SOCIAL PROPERTY ENTER-CONFIDENTIAL

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PRISES. NO DATE GIVEN AS TO WHEN ABOVE PROGRAM WILL

COMMENCE OR WHEN IT IS EXPECTED TO BE COMPLETED.

3. COMMENT: GOP COULD BE COURTING DISASTER IF IT ELIMINATES FOOD WHOLESALERS AS ALTERNATIVE FOOD MARKETING INFRASTRUCTURE IS NON-EXISTENT. IT WILL TAKE CONSIDERABLE TIME FOR GOP TO CREATE NECESSARY REPLACEMENT INFRASTRUCTURE AND, IN THE MEANTIME, PRODUCER AND CONSUMER WILL HAVE LITTLE MEANS OF GETTING TOGETHER.

4. ALTHOUGH GOP AND GOVERNMENT-CONTROLLED PRESS HAVE USED WHOLESALERS ("MAYORISTAS") AS SCAPEGOATS FOR RECURRENT SHORTAGES AND HIGHER PRICES OF POTATOES, POULTRY, RICE, VEGETABLE OIL, ETC. WHICH HAVE INCREASINGLY PLAGUED LIMA HOUSEWIVES DURING THE PAST YEAR, HOYOS' PLAN IF IMPLEMENTED PRECIPITOUSLY WILL ONLY MAKE THESE SHORTAGES WORSE. IT WILL ALSO ALIENATE AN IMPORTANT AND VOCAL ELEMENT IN THE URBAN LOWER MIDDLE-CLASS UNLESS PLACES ARE FOUND FOR MARKET MEN AND WOMEN WITHIN THE NEW DISTRIBUTION SYSTEM. FINALLY, SINCE STATE CONTROL OF MARKETING (EVEN SUPPOSING IT COULD BE DONE EFFICIENTLY) WILL NOT CURE THE BASIC CAUSE OF SHORTAGES, IT WILL MERELY SERVE TO MAKE THE GOVERNMENT EVEN MORE IMMEDIATELY THE TARGET OF POPULAR DISCONTENT. THIS GOP ACTION COULD PRODUCE SIMILAR RESULTS TO THOSE REPORTED BY AGATTACHE AMONG COTTON FARMERS IN ICA AREA SOUTH OF LIMA. GOP TOOK OVER MARKETING OF COTTON WITHOUT NECESSARY INFRASTRUCTURE AND NOW AGATTACHE REPORTS THAT COTTON FARMERS IN ICA TOTALLY DEMORALIZED BECAUSE THEY CANNOT SELL THEIR COTTON CROP AS THEY HAVE NO ONE TO SELL IT TO AND NO "OFFICIAL" PRICE TO SELL IT FOR. AS A RESULT, SOME FARMERS ARE IN SERIOUS FINANCIAL STRAITS. INTERESTING FOOTNOTE IS THAT THREE WEEKS BEFORE SPEECH, MINAG OFFICIAL, WHO MAY HAVE WRITTEN BOYOS' SPEECH, CALLED AGATTACHE AND COMPLAINED ABOUT LACK OF AGRICULTURAL STATISTICS AFTER 1971. AGATTACHE SENT LATEST AG SIT REP WHICH APPEARS TO HAVE FORMED BASIS FOR STATISTICAL PART (AT LEAST) OF SPEECH.

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